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News Release

Government
Publications

76-52

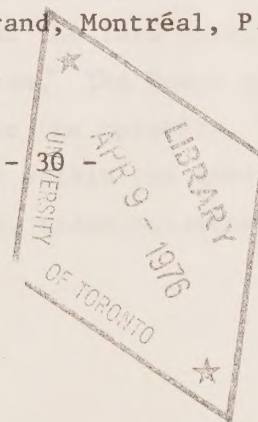
March 31, 1976

Speakers Bureau

OTTAWA--The Anti-Inflation Board, responding to a growing demand for speakers, today completed a three-day briefing session in preparation for a series of speeches across Canada. This eight-man special advisors team is made up of people prominent in various regions of Canada.

The speaking program is designed to further communicate the intent and regulations of the Anti-Inflation program to the public and special interest groups. The special advisors will deliver speeches of a general nature in both major centres and outlying areas of their respective regions.

Members of the speakers team include: Mr. Peter Sharp, West Vancouver, B.C.; Mr. David Sheard, Edmonton, Alta.; Mr. Albert Ayers, Saskatoon, Sask.; Mr. Evan McCormick, Winnipeg, Man.; Mr. Edward A. Horton, Toronto, Ont.; Mr. Leslie J. Rodger, Ottawa, Ont.; Jean-Pierre Chartrand, Montréal, P. Q.; and Mr. John A. G. Page, Fredericton, N. B.



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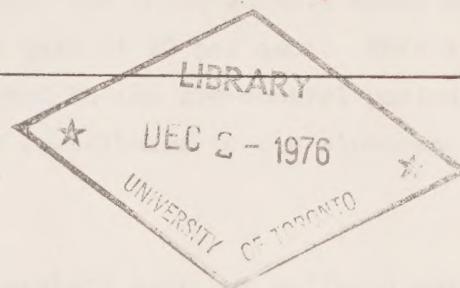
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News Release

Government
Publications

76-203

October 22, 1976



AIB Report on First Year Activities

OTTAWA--The Anti-Inflation Board expects that the rise in consumer prices will be held to about 6.5 per cent between October 1975 and October 1976, or during the first year of the Anti-Inflation Program. The rate of increase using the same measurement was 10.6 per cent when the program was introduced last October.


In its first year report, released today, the AIB says: "It is now clear that the October to October price target of eight per cent will be met for those components (of the Consumer Price Index) subject to some degree of AIB control, and that the target of eight per cent in the first year will be bettered for the index as a whole".

Prices and Compensation

The Board says that the "sharp decline in the rate of increase came in part from favourable developments in the price of imports in general and food prices at the farm gate, and in part from the impact of the controls program." The Board adds that, despite repeated public statements to the opposite, 58 per cent of the food factor in the CPI comes within the ambit of the AIB. That is the processing, packaging, transportation and retailing aspects of the food industry.

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The report notes that wage and salary controls had directly affected some 2.4 million employees to the end of September, and that the average gain in compensation for these workers would be close to the program's target wage gain of 10 per cent. This is about two-thirds of the rate recorded in the pre-control period. The more moderate wage advance has contributed to the slowdown in price increases.

The Board maintains however, that workers have not suffered any decrease in their standard of living. On average, the 2.4 million employees covered by controls to date "will have received a first year real gain in income of over three per cent, compared to real gains of approximately 2.3 per cent in the previous two years," says the AIB.

The Board says that "the program is attaining its objective of slowing down the rate of compensation increase while permitting the purchasing power of consumers to increase."

Proposed increases submitted to the AIB have declined from an average of 15 per cent for those compensation plans commencing in the pre-program period, to 10.1 per cent in April-September 1976, the latest period for which complete statistics are available.

Where the proposed increase is determined by Board staff to fall within the allowable arithmetic guidelines, the parties are notified and no further action is required. Every case above the guidelines is given individual attention by the Board and staff to ensure that all factors in each case are given thorough consideration. This process normally requires from 10 to 12 weeks from the time the AIB 2 form is received.

As the program continues, says the report, it is expected that fewer cases will be submitted requesting special consideration based on historical relationships which up to now, have influenced the Board in allowing settlements exceeding the compensation arithmetic guidelines.

Prices

The report says that "most firms have either succeeded in adjusting their prices in order to comply with the guidelines or have been unable to achieve permissible profit margins because of market conditions. Some firms in the latter category have been unable to fully pass on cost increases and were faced with declining profit margins in the first six months of 1976," a decline to about 5.5 per cent compared with 6.3 per cent for the same period in 1975.

On average, corporate profits were lower during the first compliance period under the program than they were in the base period. The group of largest companies (\$100 million gross revenue or more) show some of the largest declines in percentage profit margins.

Nevertheless, some firms did earn revenue in excess of amounts permitted by the guidelines. There have been about 100 such cases, involving some \$9 million in excess revenue for the first compliance period, which for most firms was only the two-and-a-half months from the introduction of the program to December 31, 1975. The companies involved have filed plans to eliminate the excess revenue within six months, by reducing prices or by maintaining price levels in the face of increasing costs.

During its first year, the Anti-Inflation Board required 274 major companies to give notice of any proposed price increases greater than two per cent. Notice is required from most of these companies 30 days in advance of proposed implementation of the increase. The Board has reviewed about 1,000 price pre-notifications and had disallowed or reduced the requested increase in 17 cases. Many firms that are considering price increases consult with AIB staff before submitting a formal pre-notification. This helps ensure that companies interpret the regulations correctly. "Generally," says the report "companies do not formally request a price rise above allowable levels."

Dividends

Other restraints under the program are also having their intended effect. The Board has reviewed 190 dividend proposals, which requested a total of \$398 million more than the guidelines would have allowed in payments to shareholders. After considering the special circumstances involved - including corporate reorganization or winding up - the Board allowed about \$49 million worth of these requests.

Professionals

There are an estimated 40,000 firms of professionals which fall under the jurisdiction of the AIB. More than 23,000 had reported to the Board by mid-September and, says the report, "virtually all returns received so far indicate that fees charged by professionals have been set in accordance with AIB regulations." For many professional firms the fiscal year has just recently ended so reports are still being received by the AIB.

Conclusion

The report expresses optimism that the second-year goal of the Anti-Inflation Program - to reduce the rate of increase in the CPI to six per cent or less by October 1977 - is attainable. But it warns that it will not be easy to achieve.

"The success of the program over the next year," according to the AIB "will depend on adherence to the guidelines by business, labour and governments. With their cooperation, and with the maintenance of prudent monetary and fiscal policies, further improvement in line with the targets of the program can be achieved."

News Release

76-204

October 22, 1976

Highlights of the First Year Report of the Anti-Inflation Board

Economic Development

- Economic recovery in the Canadian economy began about the middle of 1975 when real growth was almost four per cent during the second half of the year compared to the first half, at an annual rate. The rate of expansion increased to 5.6 per cent in the first six months of 1976.
- Overall rate of Consumer Price Index increase for September 1976 was 6.5 per cent compared to 10.6 per cent for the same month a year ago. CPI items covered by the AIB increased by about eight per cent in the same period as compared with an 11 per cent increase last year.
- Unit labour costs were held to an increase of 10.5 per cent for the first half of 1976 over the first half of 1975, compared to an increase of 17.5 per cent for the corresponding period the preceding year.

Prices and Profits

- Average profit margins for all companies in Canada during the first half of 1976 were about 5.5 per cent compared to 6.3 per cent for the same period a year ago.
- By the end of August 1976, the Board had identified 98 cases of actual excess revenue, for an aggregate total of \$9 million. For most companies this excess revenue was for the first compliance period which in most cases lasted only from October 14, 1975 to December 31, 1975.

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- The average price pre-notification allowed in January/February of this year was 8.6 per cent while the September average was 5.2 per cent.
 - The Board has reviewed on a pre-notification basis about 1,000 applications for price increases with almost all requests within the guidelines. Seventeen of the 1,000 were rolled back or not allowed. Many more were reduced voluntarily by the suppliers.
 - The Board has also reviewed 190 dividend cases with 92 above the guidelines and representing a proposed aggregate increase of \$398 million. The Board allowed \$49.2 million in extra dividends to be paid in these cases.
 - The Board has received 23,134 reports from professional firms as of September 17, 1976, covering 40,596 practitioners (owners or part-owners of a firm) and 14,533 professional employees. Almost all reports received indicate fees are being set in accordance with the AIB regulations. About 15,000 forms are still to be filed for professional firms with fiscal years just recently ended.

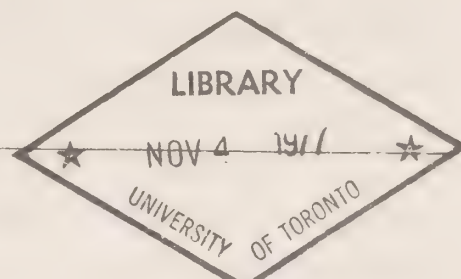
Compensation

- 1.1 million employees are covered by the 9,643 compensation plans that have been submitted to the Anti-Inflation Board at or below the arithmetic guidelines.
- 1.3 million employees are covered by the 7,031 compensation plans submitted which were above the guidelines; as of September 24, 2,696 of these cases affecting 676,507 employees have been decided by the Board.
- Proposed increases for all compensation plans submitted to the AIB have declined from an average of 15 per cent for collective agreements and other compensation plans commencing during the pre-program period, to 10.1 per cent for plans commencing during the program period from April to September 1976.

-- Compensation plans commencing prior to October 14, 1975 which were above the allowable arithmetic guidelines called for increases averaging 15.7 per cent. The arithmetic guidelines allowed increases up to 10.5 per cent and the actual increases finally accepted by the AIB averaged out at 12.4 per cent. These amounts steadily decreased until the period from April to August 1976 when the average increase submitted to the Board was 11.3 per cent with the arithmetic guidelines at 9.3 per cent and the average of increases allowed by the Board at 9.7 per cent.

-- The Board had referred 51 compensation cases to the Administrator by the end of September 1976; almost all these cases were referred at the request of the union or company involved on the basis of "dissatisfaction" with the recommendation of the AIB. The Administrator had ruled on 18 cases by that time.

News Release



77-159

October 21, 1977

AIB Issues Second Annual Report

OTTAWA--The Anti-Inflation Board reports "significant progress" in reducing the rate of price and cost increases in Canada during the first two years of the anti-inflation program.

In its Year Two report, tabled today, the Board considered prospects for 1978 and found that "the stage is set for the achievement of further deceleration in the rate of inflation."

Reviewing the two years since the program began on October 14, 1975, the Board said it has monitored the compensation plans of some 3.8 million employees and the price and profit reports of some 3,300 companies.

It said that as the program progresses an increasing proportion of compensation plans are coming within, or close to, the arithmetic guidelines.

On the prices side, the level of increases proposed in pre-notifications to the AIB dropped to an average 4.1 per cent during the first eight months of 1977 from an average 6.9 per cent during the corresponding period of 1976. Average profit margins -- the measure used to effect price restraint -- have remained well below the targets allowed by the guidelines. Companies reporting to the Board were operating on average at 51 per cent of their target margins during the second compliance year.

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The report notes that during the last two years, price movements for food, energy and imports have obscured the success that has been obtained in reducing the rate of inflation. In 1976 consumer food prices fell and import prices rose very little, cutting the rate of rise in the Consumer Price Index. In 1977 the CPI rose more rapidly with substantial increases in food and import prices. During both years large increases in energy prices added almost three-quarters of one percentage point to the growth rate of inflation.

The Underlying Cost Picture

If food and energy prices are eliminated from the CPI, the index left is more clearly related to underlying cost developments in the Canadian economy.

Using this measure, the report said that during the first half of 1977, consumer prices excluding food and energy were increasing at an annual rate of 6.5 per cent, well down from the rates of 8.8 and 8.9 per cent that prevailed during the previous 18 months.

"This ... indicates clearly that there has been a marked deceleration taking place in the underlying rate of price increases."

Looking ahead, the Board said real output growth in the Canadian economy in 1978 is likely to be higher than this year. But this growth is not likely to create demand pressures that would accelerate the rate of inflation. Commodity prices should remain relatively stable, reflecting the general softness of the economic recovery in other industrial countries.

"In view of these 1978 prospects for the more favourable impact of international developments on Canadian prices, and for an overall lack of demand pressures, the stage is set for the achievement of further deceleration in the rate of inflation."

Monetary and Fiscal Policies

Discussing the over-all anti-inflation program, the AIB said that its temporary controls on prices and incomes were intended to supplement the program's "essential element" -- the reduction in the growth rate of money supply and government expenditures.

The money supply, defined as currency and demand deposits, has remained at the lower end of the target ranges set by the Governor of the Bank of Canada. The rate of growth in spending by all levels of government "had declined sharply."

"These developments are an important indication that since 1975 monetary and fiscal policies have been consistent with reducing the rate of inflation."

At the outset of the program, it was anticipated that the initial impact on the market would come from the mandatory controls, with the effects of monetary and fiscal restraint being felt more as the program progressed.

"It is clear that the combination of fiscal and monetary policies and the controls has achieved an improvement in the rate of inflation that is broadly consistent with the targets of the anti-inflation program."

Compensation Developments

Compensation plans filed with the AIB for the pre-program period -- taking effect before October 14, 1975 -- proposed increases above the arithmetic guidelines for 77 per cent of the employees involved. This proportion of employees covered by plans exceeding guidelines dropped to 41 per cent for the first program year, and to 30 per cent for the second year.

The average amount of increase proposed has declined from 15.6 per cent for the pre-program period to 10.1 per cent in the first program year and 7.8 per cent in the second. The latter figure compares with the average arithmetic guideline of 7.7 per cent.

Taking into account the Board's recommendations for rollbacks in plans that exceeded the guidelines, the effective rate of increase for all compensation plans coming under the AIB has averaged 13.5 per cent for the pre-program period, 9.4 per cent for the first program year and 7.4 per cent for the second.

The Board said it is giving particular attention to executive compensation to ensure that the guidelines are being observed.

Prices and Profits

A total of 342 major firms now are required to provide 30 days' advance notice to the AIB of proposed price increases. Most price applications have been consistent with the guidelines and have not required Board action. The average proposed increase was 4.1 per cent during the first eight months of 1977 compared with 6.9 per cent during 1976.

Market conditions, as well as the guidelines, have been acting to restrain price increases. AIB figures show that firms subject to mandatory controls were, as a group, operating at only 67 per cent of allowable target profit margins set by AIB rules during the first compliance year. This declined to 51 per cent of allowable target margins during the second year -- 1976 for most firms. One firm in five last year was operating at 90 per cent or more of target margins.

The report attributes the decline in profit margins more to the generally soft market conditions than to the impact of guidelines. About one-fifth of business profits under compliance were being directly restrained by controls, in 1976, while it appears that this restraint had an indirect impact on a further one-fifth of business profits because of industry structures and competition among firms.

AIB rules require firms to follow a pricing policy which allows them to cover their allowable costs plus the profit margin set by the guidelines. Any excess revenue must be returned to the market place through pricing action.

Restraint on Dividends

As of August 2, 1977, the Board has reviewed 315 dividend cases, most of them involving requests to make dividend payouts above the guidelines. The requests involved above-guideline payments totalling \$472 million, and of this the Board disallowed or rolled back \$370.5 million.

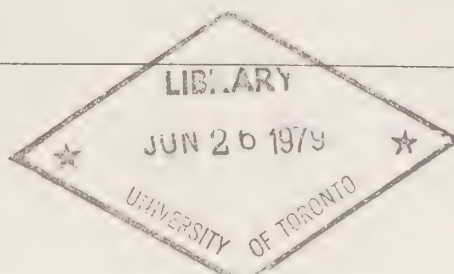
Professional Fees and Incomes

Some 17,000 professional firms -- other than medical doctors covered by provincial fee schedules -- have so far reported net incomes for the 1976 compliance year. These preliminary figures show a marked slowing in the rate of increase, compared with gains made in 1975. The average gain was only 0.7 per cent compared with 9.1 per cent in 1975. Architects and engineers reported declines in 1976 net incomes while increases for the other eight professional groups ranged from 1.0 per cent for accountants to 8.6 per cent for dentists.

Most medical doctors meet AIB requirements by adhering to provincially-approved medicare fee schedules, which are also approved by the Board. Increases approved so far for 1977-78 range from 4.0 per cent in Nova Scotia to 7.0 per cent in Alberta.

News Release

79-21
June 15, 1979



Research Studies Released

OTTAWA--The Anti-Inflation Board has released four additional publications in its series of research studies.

These research papers, as well as the five previously released by the board, have been commissioned in order to fulfill the Anti-Inflation Board mandate of promoting public understanding of the inflationary process.

The board expects to publish an additional three studies in this series.

The Allocative Effects of Inflation

by John F. Chant and Donald G. McFetridge
Carleton University, Ottawa

This analysis deals with the effects of anticipated inflation on financial and equity markets and the interaction of the tax system with the rate of inflation.

Interdependence and Inflation

by David Gartrell
University of Georgia, Athens, Georgia

The study attempts to provide some insight into the evolution and stability of differential wage rates through the use of social psychological theories of social deprivation, equity and expectations.

The Effect of Direct Taxes on Wages

by Yehuda Kotowitz
University of Toronto

The purpose of this study is to examine the cost-push effects of income taxes on the rate of wage inflation. The study contains a critical evaluation of the theoretical and empirical literature on the subject as well as extensive and rigorous empirical testing of various hypotheses relating to the cost-push effects of income taxes.

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The Influence of the AIB on Aggregate Wages and Prices

by Grégory V. Jump and Thomas A. Wilson
Institute for Policy Analysis
University of Toronto

This study deals with the macroeconomic impact of the Anti-Inflation Board. Simulation experiments are undertaken to determine the Board's effect on wages and prices in the economy.

Previously released research studies include:

Inflation and Public Policy - This study represents a consensus of the views of members of the Anti-Inflation Board.

An Analysis of U.S. Wage Controls and Implications for Canada

by Frank Reid
Centre for Industrial Relations
University of Toronto

Non-Union Wage Changes in Canada

by Gerald G. Johnson
Exchange and Trade Relations Department
International Monetary Funds, Washington, D.C.

The Occupational Structure of Earnings in Canada, 1931-1975

by Noah M. Meltz and David Stager
Centre for Industrial Relations
University of Toronto

The Determinants of Negotiated Wage Settlements in Canada 1966-1975

by D.A.L. Auld, L.N. Christofides, R. Swidinsky, D.A. Wilton
University of Guelph

All studies may be purchased from:

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